

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Washington</u>	County <u>Macomb</u>
Audit Date <u>March 31, 2005</u>	Opinion Date <u>June 17, 2005</u>	Date Accountant Report Submitted To State: <u>August 30, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address <u>27400 Northwestern Highway</u>	City <u>Southfield</u>	State <u>MI</u>	ZIP <u>48037</u>
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **Township of Washington Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2005**

# Township of Washington

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## Independent Auditor's Report

To the Board of Trustees  
Township of Washington  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Washington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



A worldwide association of independent accounting firms

To the Board of Trustees  
Township of Washington  
Macomb County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Washington. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

June 17, 2005

# Township of Washington

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## Management's Discussion and Analysis

### Overview of the Financial Statements

Washington Township's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental Activities** - Most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, and three special operating millages provide most of the funding.

**Business-type Activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

# Township of Washington

## Management's Discussion and Analysis (Continued)

The Township has three types of funds:

**Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

### Financial Overview

The Township has combined total net assets of \$62.3 million. This is an increase over 2004 of \$8.0 million. Business-type activities comprise \$43.0 million, and governmental activities make up \$19.3 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

#### In Thousands

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets	\$ 14,080	\$ 12,808	\$ 11,474	\$ 10,208	\$ 25,554	\$ 23,016
Noncurrent assets	6,696	6,872	35,647	30,545	42,343	37,417
Total assets	20,776	19,680	47,121	40,753	67,897	60,433
<b>Liabilities</b>						
Current liabilities	698	701	376	500	1,074	1,201
Long-term liabilities	790	893	3,737	4,081	4,527	4,974
Total liabilities	1,488	1,594	4,113	4,581	5,601	6,175
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	4,936	5,461	30,404	25,103	35,340	30,564
Restricted	7,293	6,219	1,589	1,437	8,882	7,656
Unrestricted	7,059	6,406	11,015	9,632	18,074	16,038
Total net assets	<u>\$ 19,288</u>	<u>\$ 18,086</u>	<u>\$ 43,008</u>	<u>\$ 36,172</u>	<u>\$ 62,296</u>	<u>\$ 54,258</u>

# Township of Washington

## Management's Discussion and Analysis (Continued)

The Township experienced significant changes in both assets of the governmental activities and business-type activities. Our greatest source of business-type activities increase to net assets was due to the nearly \$5.4 million worth of water and sewer distribution system that was constructed and donated to the sewer and water department. This increase, great in its own sense, is reflective of the large commercial and residential growth factor in the Township, despite not accepting the storm drains, as noted in the prior period adjustment.

The Township continues to pay its debt service on water and sewer capital related items, which is its largest liability of the business-type activities. Other changes are minimal and balances are fairly consistent with last year.

The following table shows the changes in net assets for 2005. Future reports will provide comparative data for the statement of activities.

### In Thousands

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,442	\$ 872	\$ 3,328	\$ 3,235	\$ 4,770	\$ 4,107
Operating grants and contributions	14	1	7	-	21	1
Capital grants and contributions	19	86	7,231	3,985	7,250	4,071
General revenue:					-	
Property taxes	4,925	4,598	-	-	4,925	4,598
State-shared revenue	1,190	1,210	-	-	1,190	1,210
Unrestricted investment earnings	343	246	191	132	534	378
Franchise fees	145	130	-	-	145	130
Donated land	-	1,125	-	-	-	1,125
Transfers and other revenue	33	2	-	4	33	6
Total revenue	8,111	8,270	10,757	7,356	18,868	15,626
<b>Program Expenses</b>						
General government	2,131	1,643	-	-	2,131	1,643
Public safety	4,364	4,339	-	-	4,364	4,339
Public works	387	106	-	-	387	106
Interest on long-term debt	28	36	-	-	28	36
Water and sewer	-	-	3,920	3,657	3,920	3,657
Total program expenses	6,910	6,124	3,920	3,657	10,830	9,781
<b>Change in Net Assets</b>	<b>\$1,201</b>	<b>\$2,146</b>	<b>\$ 6,837</b>	<b>\$ 3,699</b>	<b>\$ 8,038</b>	<b>\$ 5,845</b>



# **Township of Washington**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Revenues for governmental activities totaled \$8.1 million in 2005. A total of \$4.9 million was in the form of property tax collections, an increase of \$327,000 over 2004. This increase reflects a change in the general operating millage from .6657 mills to .6572 mills, as well as a significant increase in taxable value of \$72.8 million. The police and fire and advance life support special assessment millage generated \$4.3 million of the total \$4.9 million of property tax revenue reported above. State-shared revenues continue to be of concern. While they provided \$1.2 million, we are uncertain what will happen in 2006 given the State's financial difficulties. Charges for services, primarily for inspections, generated \$1,442,000.

### **Business-type Activities**

The Township has one business-type activity, the water and sewer operations. Revenues for business-type activities were \$10.8 million.

The water and sewer operation consists of the following: Water is provided to the Township residents via the Detroit water and sewer department. Sewage treatment is provided by contracts with the Detroit water and sewer department and Macomb County. The Township participates in the Garfield Interceptor project to ensure sewer capacity for the community.

### **Current Economic Events**

The Township continues to experience substantial growth in the community. This growth is a direct result of the very unique development projects approved in the community even during the current softening of the overall market. Our taxable value has reached over \$960 million and continues to grow under the many new commercial and residential projects being reviewed and approved.

Revenue sharing, as it was in 2004, continues to be the most significant budgetary concern at this time. Our community continues to weather the cuts in state-shared revenue in part due to very positive, conservative actions of previous boards. Our current board continues the conservative example of previous boards, while always keeping our obligations to current and future residents as our beacon. Our community continues to grow, and we use our strategic future forecasts to plan for and budget for future needs.

### **Financial Analysis of Township Funds and Budgets**

The General Fund ended 2005 with a fund balance of \$2.6 million, with \$1.3 million designated. Several factors affected operating results. First, tax revenue was up due to increased taxable value. Tax collections were \$627,000 for 2005. This is an increase of \$44,000 over 2004. Also, license and permit revenue increased due to an increase in fees and the volume of permits issued in 2005.

# **Township of Washington**

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## **Management's Discussion and Analysis (Continued)**

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent over-expenditures. With that in mind, the General Fund expenditures were 91.7 percent of budget.

Police and fire and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire and advanced life support, respectively. All of these funds have a positive fund balance position.

### **Capital Assets and Debt**

The Township continued capital projects in 2005. A major project nearing completion is the Jewell Road paving and realignment. This endeavor was the result of an agreement between Washington Township, the Macomb County Road Commission, and Shelby Township to share the costs of completion, resulting in a long-awaited, safer intersection for the public. The Township also saw the completion of the installation of the generator at the Township Hall, ensuring an alternate power source for emergency operations during power outages. The Township continues to forecast future projects. This allows the designating of fund balance to fund these long-term projects. Future projects include road improvements as follows:

- The paving of 30 Mile Road from the M-53 by-pass west to the portion of 30 Mile currently paved
- The paving of Jewell Road from 28 Mile heading south to the portion currently paved
- The resurfacing of two miles of gravel roads in the Township by utilizing the cost-share program with the Macomb County Road Commission

The water and sewer department continues to explore the long-term needs of the community with the consideration of the North Hayes Road sewer interceptor, extending from 26 Mile Road along Hayes Road, terminating at 31 Mile Road.

Debt relating to special assessment projects and compensated absences totaling \$790,000 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to the water and sewer system and compensated absences totaling \$3.7 million is recorded as a liability in the business-type activities in the statement of net assets.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the finance and budget department at the Washington Township Municipal Building.

# Township of Washington

## Statement of Net Assets March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 12,697,276	\$ 10,397,282	\$ 23,094,558
Receivables:			
Special assessments	523,746	358,806	882,552
Customers	-	607,441	607,441
Other receivables	54,664	64,462	119,126
Due from other governmental units	733,321	41,130	774,451
Internal balances	8,174	(8,174)	-
Prepaid expenses	63,292	13,030	76,322
Investment in Romeo, Washington, Bruce Parks, and Recreation Commission (Note 13)	599,385	-	599,385
Investment in Bruce and Washington Senior Transportation through Advanced Reservation Commission (Note 13)	695,089	-	695,089
Restricted assets (Note 7)	-	2,461,882	2,461,882
Capital assets (Note 4):			
Capital assets not being depreciated	1,526,627	1,102,148	2,628,775
Capital assets being depreciated - Net	3,874,525	32,083,909	35,958,434
<b>Total assets</b>	<b>20,776,099</b>	<b>47,121,916</b>	<b>67,898,015</b>
<b>Liabilities</b>			
Accounts payable	123,569	326,095	449,664
Due to other governmental units	136,736	-	136,736
Accrued and other liabilities	437,979	50,368	488,347
Noncurrent liabilities (Note 6):			
Due within one year	95,000	255,000	350,000
Due in more than one year	695,024	3,481,910	4,176,934
<b>Total liabilities</b>	<b>1,488,308</b>	<b>4,113,373</b>	<b>5,601,681</b>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	4,936,152	30,403,677	35,339,829
Restricted:			
Restricted for water and sewer line maintenance and construction	-	1,282,262	1,282,262
Restricted for bond ordinance	-	307,000	307,000
Construction code activity	230,844	-	230,844
Fire service	3,622,090	-	3,622,090
Law enforcement	962,111	-	962,111
Advanced life support service	2,297,126	-	2,297,126
Sidewalk maintenance	101,810	-	101,810
Street lighting	14,180	-	14,180
Special assessment capital projects	64,807	-	64,807
Unrestricted	7,058,671	11,015,604	18,074,275
<b>Total net assets</b>	<b>\$ 19,287,791</b>	<b>\$ 43,008,543</b>	<b>\$ 62,296,334</b>

# Township of Washington

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,130,872	\$ 26,687	\$ -	\$ 2,500
Public safety	4,364,221	1,259,082	14,282	-
Public works	386,544	156,257	-	16,683
Interest on long-term debt	27,642	-	-	-
Total governmental activities	6,909,279	1,442,026	14,282	19,183
Business-type activities - Water and sewer	3,920,241	3,328,089	7,070	7,230,575
Total primary government	<u><b>\$ 10,829,520</b></u>	<u><b>\$ 4,770,115</b></u>	<u><b>\$ 21,352</b></u>	<u><b>\$ 7,249,758</b></u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets</b> - Beginning of year - As restated (Note 15)				
<b>Net Assets</b> - End of year				

**Statement of Activities**  
**Year Ended March 31, 2005**

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (2,101,685)	\$ -	\$ (2,101,685)
(3,090,857)	-	(3,090,857)
(213,604)	-	(213,604)
<u>(27,642)</u>	<u>-</u>	<u>(27,642)</u>
(5,433,788)	-	(5,433,788)
<u>-</u>	<u>6,645,493</u>	<u>6,645,493</u>
(5,433,788)	6,645,493	1,211,705
4,925,417	-	4,925,417
1,189,608	-	1,189,608
342,658	191,061	533,719
145,003	-	145,003
<u>32,723</u>	<u>-</u>	<u>32,723</u>
<u>6,635,409</u>	<u>191,061</u>	<u>6,826,470</u>
1,201,621	6,836,554	8,038,175
<u>18,086,170</u>	<u>36,171,989</u>	<u>54,258,159</u>
<b><u>\$ 19,287,791</u></b>	<b><u>\$ 43,008,543</u></b>	<b><u>\$ 62,296,334</u></b>

# Township of Washington

## Governmental Funds Balance Sheet March 31, 2005

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund		
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 5,566,111	\$ 3,582,036	\$ 2,236,219	\$ 873,761	\$ 439,149	\$ 12,697,276
Receivables:						
Special assessments	336,177	-	-	-	187,569	523,746
Other	3,994	19,775	30,895	-	-	54,664
Due from other funds (Note 5)	15,018	-	-	-	3,843,316	3,858,334
Due from other governmental units	369,503	114,863	92,037	58,970	5,099	640,472
Prepaid expenses	30,946	18,246	14,096	-	4	63,292
Total assets	<u>\$ 6,321,749</u>	<u>\$ 3,734,920</u>	<u>\$ 2,373,247</u>	<u>\$ 932,731</u>	<u>\$ 4,475,137</u>	<u>\$ 17,837,784</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 76,537	\$ 14,551	\$ 8,148	\$ 3,649	\$ 20,684	\$ 123,569
Due to other governmental units	134,421	2,315	-	-	-	136,736
Due to other funds (Note 5)	2,906,960	491,450	445,014	-	6,736	3,850,160
Accrued and other liabilities	262,862	95,910	67,919	-	-	426,691
Deferred revenue (Note 11)	336,177	-	-	-	187,569	523,746
Total liabilities	3,716,957	604,226	521,081	3,649	214,989	5,060,902
<b>Fund Balances</b>						
Reserved for:						
Construction code activity	230,844	-	-	-	-	230,844
Law enforcement	-	-	-	929,082	33,025	962,107
Fire service	-	3,112,448	-	-	-	3,112,448
Advanced life support	-	-	1,838,070	-	-	1,838,070
Prepays	30,946	18,246	14,096	-	4	63,292
Unreserved - Reported in:						
General Fund:						
Undesignated	1,003,584	-	-	-	-	1,003,584
Designated (Note 12)	1,339,418	-	-	-	-	1,339,418
Debt Service Fund	-	-	-	-	252,116	252,116
Capital Projects Funds	-	-	-	-	82,658	82,658
Special Revenue Funds:						
Undesignated	-	-	-	-	476,310	476,310
Designated (Note 12)	-	-	-	-	3,416,035	3,416,035
Total fund balances	<u>2,604,792</u>	<u>3,130,694</u>	<u>1,852,166</u>	<u>929,082</u>	<u>4,260,148</u>	<u>12,776,882</u>
Total liabilities and fund balances	<u>\$ 6,321,749</u>	<u>\$ 3,734,920</u>	<u>\$ 2,373,247</u>	<u>\$ 932,731</u>	<u>\$ 4,475,137</u>	<u>\$ 17,837,784</u>
Fund balance - Total governmental funds						\$ 12,776,882
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						5,401,152
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						523,746
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures						92,849
Accrued interest payable on long-term debt is not recorded in the funds						(11,288)
Investments in joint ventures are not reported in the funds						1,294,474
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(790,024)
Net assets of governmental activities						<u>\$ 19,287,791</u>

# Township of Washington

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2005

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund		
<b>Revenue</b>						
Property taxes	\$ 632,522	\$ 1,927,032	\$ 1,529,449	\$ 836,414	\$ -	\$ 4,925,417
Licenses and permits	1,087,988	-	-	-	-	1,087,988
Federal and state sources	1,188,204	14,182	-	-	9,579	1,211,965
Fees	316,972	-	63,917	66,020	36,859	483,768
Interest and rent	258,836	56,136	24,959	5,402	23,301	368,634
Special assessments	134,932	-	-	-	206,302	341,234
Other revenue	67,342	3,467	3,330	-	-	74,139
Total revenue	3,686,796	2,000,817	1,621,655	907,836	276,041	8,493,145
<b>Expenditures</b>						
General government	1,982,962	-	-	-	1,474	1,984,436
Public safety	561,923	1,549,370	1,261,183	742,729	26,332	4,141,537
Public works	245,554	-	-	-	3,656	249,210
Insurance	68,917	-	-	-	-	68,917
Capital outlay	15,896	15,275	141,125	-	210,861	383,157
Debt service	-	-	-	-	153,513	153,513
Total expenditures	2,875,252	1,564,645	1,402,308	742,729	395,836	6,980,770
<b>Excess of Revenue Over (Under) Expenditures</b>	811,544	436,172	219,347	165,107	(119,795)	1,512,375
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 5)	-	-	-	-	525,313	525,313
Transfers out (Note 5)	(385,313)	(70,000)	(70,000)	-	-	(525,313)
Total other financing sources (uses)	(385,313)	(70,000)	(70,000)	-	525,313	-
<b>Net Change in Fund Balances</b>	426,231	366,172	149,347	165,107	405,518	1,512,375
<b>Fund Balances - Beginning of year</b>	2,178,561	2,764,522	1,702,819	763,975	3,854,630	11,264,507
<b>Fund Balances - End of year</b>	<u>\$ 2,604,792</u>	<u>\$ 3,130,694</u>	<u>\$ 1,852,166</u>	<u>\$ 929,082</u>	<u>\$ 4,260,148</u>	<u>\$ 12,776,882</u>

# Township of Washington

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,512,375**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	256,223
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(300,001)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(231,129)
Interest expense is recorded when incurred in the statement of activities	871
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(23,256)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	125,000
Equity interests in Parks and Recreation Commission and senior transportation through advanced reservation are not reported in the governmental funds	(116,475)
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(21,987)</u>

**Change in Net Assets of Governmental Activities** **\$ 1,201,621**



# Township of Washington

## Proprietary Fund Statement of Net Assets March 31, 2005

	Enterprise - Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 10,397,282
Accounts receivable:	
Customers	607,441
Special assessments	358,806
Other	64,462
Due from other governmental units	41,130
Prepaid expenses and other assets	13,030
Total current assets	11,482,151
Noncurrent assets:	
Restricted assets (Note 7)	2,461,882
Capital assets (Note 4):	
Capital assets not being depreciated	1,102,148
Capital assets being depreciated - Net	32,083,909
Total noncurrent assets	35,647,939
Total assets	47,130,090
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	326,095
Accrued and other liabilities	50,368
Due to other funds	8,174
Current portion of long-term obligations (Note 6)	255,000
Total current liabilities	639,637
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	3,481,910
Total liabilities	4,121,547
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	30,403,677
Restricted for water and sewer line maintenance and construction	1,282,262
Restricted for bond ordinance	307,000
Unrestricted	11,015,604
Total net assets	<u><u>\$ 43,008,543</u></u>

# Township of Washington

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2005

	Enterprise - Water and Sewer Fund
<b>Operating Revenue</b>	
Water usage	\$ 1,569,901
Sewage usage	1,162,675
Other	<u>602,583</u>
Total operating revenue	3,335,159
<b>Operating Expenses</b>	
Sewer and water purchases	1,896,183
Administration	81,589
Billing and clerical	157,752
Other services	74,687
Buildings and grounds	29,358
Inspection	424,473
Depreciation (Note 4)	783,915
Insurance	47,550
Fringe benefits	<u>215,929</u>
Total operating expenses	<u>3,711,436</u>
<b>Operating Loss</b>	(376,277)
<b>Nonoperating Revenue (Expense)</b>	
Tap fees	1,390,480
Interest income	251,133
Interest expense	<u>(208,805)</u>
Total nonoperating revenue	<u>1,432,808</u>
<b>Income - Before contributions</b>	1,056,531
<b>Capital Contributed from Developers and Customers</b>	<u>5,780,023</u>
<b>Change in Net Assets</b>	6,836,554
<b>Net Assets - Beginning of year - As restated (Note 15)</b>	<u>36,171,989</u>
<b>Net Assets - End of year</b>	<u><u>\$ 43,008,543</u></u>

# Township of Washington

## Proprietary Fund Statement of Cash Flows Year Ended March 31, 2005

	Enterprise - Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 3,253,518
Payments to suppliers	(2,186,399)
Payments to employees	(743,757)
Other operating receipts	(98,382)
Net cash provided by operating activities	224,980
<b>Cash Flows from Capital and Related Financing Activities</b>	
Collection of customer assessments (principal and interest)	177,156
Purchase of capital assets	(343,632)
Principal paid on bond maturities	(350,000)
Interest paid on bonds	(208,805)
Lateral fees	1,744,579
Net cash provided by capital and related financing activities	1,019,298
<b>Cash Flows from Investing Activities - Interest received</b>	246,816
<b>Net Increase in Cash and Cash Equivalents</b>	1,491,094
<b>Cash and Cash Equivalents - Beginning of year</b>	11,247,296
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 12,738,390</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash and investments (Note 3)	\$ 10,397,282
Restricted assets (Note 7)	2,341,108
Total cash and cash equivalents	<b>\$ 12,738,390</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating loss	\$ (376,277)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	783,915
Loss on sale of assets	53,515
Changes in assets and liabilities:	
Decrease in receivables	(81,641)
Decrease in due from other governmental units	(16,034)
Decrease in prepaid expenses and other assets	3,897
Decrease in accounts payable	(61,295)
Increase in accrued and other liabilities	(56,396)
Increase in due to other funds	(24,704)
Net cash provided by operating activities	<b>\$ 224,980</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2005, the Water and Sewer Fund received approximately \$5,426,000 of lines donated by developers.

# Township of Washington

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## **Fiduciary Funds Statement of Assets and Liabilities March 31, 2005**

	<u>Agency Funds</u>
<b>Assets - Cash and investments (Note 3)</b>	<b><u>\$ 967,038</u></b>
<b>Liabilities</b>	
Due to other governmental units	\$ 1,426
Cash bonds and deposits	<u>965,612</u>
 Total liabilities	 <b><u>\$ 967,038</u></b>

# **Township of Washington**

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## **Notes to Financial Statements March 31, 2005**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Township of Washington (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **Reporting Entity**

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is required to be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township. See the discussion below regarding the Township's Economic Development Corporation.

The Township Building Authority is governed by a board that is appointed by the board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Township Building Authority was inactive during the year and has no assets or liabilities.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents. The Corporation's governing body is selected by the Township board. The Corporation was inactive during the year and has no assets or liabilities.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# Township of Washington

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## Notes to Financial Statements March 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

# Township of Washington

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## Notes to Financial Statements March 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Fund** - The Fire Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

**Police Fund** - The Police Fund accounts for the proceeds of a property tax levy that are earmarked for police service.

**Advanced Life Support Fund** - The Advanced Life Support Fund accounts for the proceeds of a property tax levy that are earmarked for advanced life support service.

The Township reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer service to citizens that is financed primarily by a user charge for the provision of that service.

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected to also follow private sector standards issued after November 30, 1989 for its business-type activities.

# **Township of Washington**

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## **Notes to Financial Statements March 31, 2005**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund, the Water and Sewer Fund, relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township of Washington's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.



# Township of Washington

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## Notes to Financial Statements March 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The 2004 taxable valuation of the Township of Washington totaled \$958 million, on which taxes levied consisted of .6572 mills for operating purposes, 1.8350 mills for advanced life support services, .9278 mills for police services, and 2.3120 mills for fire services; however, the taxable value of properties within the Village of Romeo are not subject to advanced life support, police, and fire services millages. This resulted in \$627,000 for operating, \$1.5 million for advanced life support services, \$836,000 for police services, and \$1.9 million for fire services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Fire Fund, Liquor Law Enforcement Fund, Ambulance Fund, Water and Sewer Fund, and the Trust and Agency Fund is generally allocated to each fund using a weighted average of balances for the principal held for each fund on a monthly basis.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The unspent portion of the bonds is required to be set aside for construction. Additionally, the Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Garfield Interceptor and receivables and collections to be used for Hayes Road sewer line construction.

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	10-30 years
Vehicles	5-10 years
Office furnishings	5-10 years
Other tools and equipment	5-20 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2004			\$ (126,955)
Current year building permit revenue			1,087,988
Related expenses:			
Direct costs	\$	605,008	
Estimated indirect costs		95,432	
Capital expenditures		29,749	730,189
			<u>357,799</u>
Current year surplus			<u>357,799</u>
Cumulative surplus at March 31, 2005			<u>\$ 230,844</u>

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds
Cash and cash equivalents	\$ 12,697,276	\$ 10,397,282	\$ 23,094,558	\$ 967,038
Restricted assets (Note 7)	-	2,341,108	2,341,108	-
Total	<u>\$ 12,697,276</u>	<u>\$ 12,738,390</u>	<u>\$ 25,435,666</u>	<u>\$ 967,038</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 13,866,264	\$ 859,074
Investments in securities, mutual funds, and similar vehicles	11,568,702	107,964
Petty cash or cash on hand	700	-
Total	<u>\$ 25,435,666</u>	<u>\$ 967,038</u>

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 3 - Deposits and Investments (Continued)

The bank balance of the Township's deposits is \$15,453,354, of which approximately \$700,000 is covered by federal depository insurance.

#### Investments

The Township's investments during the year consisted solely of bank investment pools. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above.

### Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 1,526,627	\$ -	\$ -	\$ 1,526,627
Capital assets being depreciated:				
Buildings and building improvements	2,944,717	93,427	-	3,038,144
Vehicles	2,546,912	140,000	106,879	2,580,033
Office furnishings	254,353	13,646	7,875	260,124
Other tools and equipment	689,893	9,150	-	699,043
Subtotal	6,435,875	256,223	114,754	6,577,344
Accumulated depreciation:				
Buildings and improvements	1,090,567	95,249	-	1,185,816
Vehicles	893,412	123,419	90,847	925,984
Office furnishings	198,368	27,736	7,875	218,229
Other tools and equipment	319,193	53,597	-	372,790
Subtotal	2,501,540	300,001	98,722	2,702,819
Net capital assets being depreciated	3,934,335	(43,778)	16,032	3,874,525
Net governmental capital assets	\$ 5,460,962	\$ (43,778)	\$ 16,032	\$ 5,401,152

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 4 - Capital Assets (Continued)

	Balance April 1, 2004 - As restated (Note 15)	Additions	Disposals and Adjustments	Balance March 31, 2005
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 10,112	\$ -	\$ -	\$ 10,112
Construction in progress	909,955	235,118	53,037	1,092,036
Subtotal	920,067	235,118	53,037	1,102,148
Capital assets being depreciated:				
Water and sewer distribution systems	32,965,177	5,478,961	-	38,444,138
Buildings and building improvements	412,046	-	-	412,046
Vehicles	320,176	14,004	607	333,573
Office furnishings	73,020	41,473	478	114,015
Other tools and equipment	246,515	-	-	246,515
Subtotal	34,016,934	5,534,438	1,085	39,550,287
Accumulated depreciation:				
Water and sewer distribution systems	6,072,363	715,334	-	6,787,697
Buildings and building improvements	173,536	14,983	-	188,519
Vehicles	269,993	26,878	607	296,264
Office furnishings	53,572	10,615	-	64,187
Other tools and equipment	113,606	16,105	-	129,711
Subtotal	6,683,070	783,915	607	7,466,378
Net capital assets being depreciated	27,333,864	4,750,523	478	32,083,909
Net water and sewer capital assets	\$ 28,253,931	\$ 4,985,641	\$ 53,515	\$ 33,186,057

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities:

General government	\$ 88,895
Public safety	211,106

Total governmental activities \$ 300,001

Business-type activities - Water and sewer \$ 783,915

**Construction Commitments** - The Township of Washington has an active construction project at year end related to the Stratford Off-site Sanitary Sewer Project. As of March 31, 2005, the total amount spent to date is \$749,300, with approximately \$39,500 remaining for the commitment.

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Fire Fund	\$ 54
General Fund	Ambulance Fund	54
General Fund	Water and Sewer Fund	8,174
General Fund	Nonmajor governmental funds	6,736
Nonmajor governmental fund - Improvement Revolving Fund	General Fund	1,916,528
Other nonmajor governmental funds	General Fund	990,432
Nonmajor governmental funds	Fire Fund	491,396
Nonmajor governmental funds	Ambulance Fund	444,960
Total		<u>\$ 3,858,334</u>

The balance owed from the General Fund to the Improvement Revolving Fund represents the cumulative amount transferred from the General Fund to the Improvement Revolving Fund over that fund's lifetime. The General Fund continues to hold the cash and investments so that it may continue to earn interest on these funds. The other balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Nonmajor governmental fund - Employee Benefits Fund	\$ 140,070
General Fund	Nonmajor governmental fund - Improvement Revolving Fund	198,406
General Fund	Nonmajor governmental funds: Cable Franchise Fee Reserve Fund	44,506
	Debt Service Fund	2,331
Fire Fund	Nonmajor governmental fund - Employee Benefits Fund	70,000
Ambulance Fund	Nonmajor governmental fund - Employee Benefits Fund	70,000
Total		<u>\$ 525,313</u>

The transfers from the General Fund, Fire Fund, and Ambulance Fund to the Employee Benefits Special Revenue Fund represent the transfer of funds to meet retiree health care premiums and a portion of the Township's sick and vacation liability. The transfers from the General Fund to the Improvement Revolving Fund represent transfers to cover expenditures associated with future projects that will benefit the Township. All other transfers were discretionary transfers to be used for the benefit of the community.

### Note 6 - Long-term Debt

The Township of Washington issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.



# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Special assessment bonds:							
A.W. Jones Paving:							
Amount of issue: \$280,000							
Maturing through 2005	6.00%	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
Carriage Hill Paving:							
Amount of issue: \$915,000	4.95% -	90,000					
Maturing through 2010	5.30%	100,000	565,000	-	(100,000)	465,000	95,000
Other long-term obligations -							
Compensated absences			303,037	21,987	-	325,024	-
Total governmental activities			<u>\$ 893,037</u>	<u>\$ 21,987</u>	<u>\$ (125,000)</u>	<u>\$ 790,024</u>	<u>\$ 95,000</u>
<b>Business-type Activities</b>							
General obligation bonds:							
Special Assessment Bonds:							
Eastview S.A.D. (B12127):							
Amount of issue: \$970,000							
Maturing through 2005	4.10%	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Washington Heights:							
Amount of issue: \$240,000	4.00% -	10,000					
Maturing through 2008	7.00%	30,000	100,000	-	(25,000)	75,000	25,000
Carriage Hills #6:							
Amount of issue: \$810,000	3.60% -	45,000					
Maturing through 2012	4.75%	85,000	595,000	-	(85,000)	510,000	85,000
Revenue bonds:							
Van Dyke Water:							
Amount of issue: \$750,000	2.75% -	25,000					
Maturing through 2009	5.60%	70,000	330,000	-	(65,000)	265,000	65,000
Eastview S.A.D. (B11264):							
Amount of issue: \$750,000	4.40% -	30,000					
Maturing through 2010	5.70%	75,000	430,000	-	(50,000)	380,000	55,000
Water Supply and Sewage Disposal System:							
Amount of issue: \$2,500,000	0% -	25,000					
Maturing through 2020	8.00%	300,000	2,450,000	-	(25,000)	2,425,000	25,000
Other long-term obligations -							
Compensated absences			76,071	5,839	-	81,910	-
Total business-type activities			<u>\$ 4,081,071</u>	<u>\$ 5,839</u>	<u>\$ (350,000)</u>	<u>\$ 3,736,910</u>	<u>\$ 255,000</u>

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 95,000	\$ 21,539	\$ 116,539	\$ 255,000	\$ 193,275	\$ 448,275
2007	95,000	16,718	111,718	255,000	180,317	435,317
2008	95,000	11,873	106,873	260,000	167,226	427,226
2009	90,000	7,110	97,110	240,000	153,618	393,618
2010	90,000	2,385	92,385	235,000	140,369	375,369
2011-2015	-	-	-	1,060,000	484,974	1,544,974
2016-2020	-	-	-	1,350,000	175,000	1,525,000
Total	<u>\$ 465,000</u>	<u>\$ 59,625</u>	<u>\$ 524,625</u>	<u>\$ 3,655,000</u>	<u>\$ 1,494,779</u>	<u>\$ 5,149,779</u>

### Note 7 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
Cash and equivalents:	
Sewer benefit fees	\$ 1,042,273
Hayes Road construction	119,215
Bond reserve	307,000
Unspent bond proceeds	<u>872,620</u>
Total cash and equivalents	2,341,108
Court judgment receivable - \$435,285 payable over 45 years with no stated interest, recorded at present value using imputed interest rate of 8 percent, final payment due April 2031	<u>120,774</u>
Total restricted assets	<u><u>\$ 2,461,882</u></u>

The sewer benefit fees of \$1,042,273 are restricted for construction of the Garfield Interceptor. The Hayes Road construction cash and equivalents of \$119,215 and the court judgment receivable of \$120,774 are restricted for maintenance on the Hayes Road sewer line. The bond reserve of \$307,000 and unspent bond proceeds of \$872,620 are restricted for the Eastview water main, the Van Dyke water main extension, and debt service on the related revenue bonds.

# Township of Washington

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## Notes to Financial Statements March 31, 2005

### **Note 8 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan (the "Plan") operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### **Note 9 - Defined Contribution Retirement Plan**

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Township board resolution, the Township contributes 15 percent of compensation as defined by W-2 wages for fire department employees and 15 percent of base salaries for all general employees, department heads, and water and sewer department employees. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$486,580.

### **Note 10 - Postemployment Benefits**

The Township provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, two retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with some retired employee groups contributing a portion of the cost. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits were paid by the General Fund as the insurance premiums became due; during the year, this amounted to approximately \$30,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

# Township of Washington

## Notes to Financial Statements March 31, 2005

### Note 10 - Postemployment Benefits (Continued)

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

### Note 11 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of \$523,746 of special assessment funds that were unavailable.

### Note 12 - Designated Fund Balances

Fund balances have been designated for the following purposes:

	General Fund	Special Revenue Funds
Future expenditures	\$ 514,208	\$ -
Roads	296,154	-
Land/Building purchases	529,056	-
Capital improvements	-	1,916,528
Employee benefits	-	1,499,507
Total	<u>\$ 1,339,418</u>	<u>\$ 3,416,035</u>

# **Township of Washington**

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## **Notes to Financial Statements March 31, 2005**

### **Note 13 - Joint Ventures**

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission, and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$599,385 and \$695,089 in the Romeo, Washington, Bruce Parks and Recreation Commission, and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, Michigan 48061.

The Township is a member of the Tri-County Cable Communications Commission, which provides cable services to the residents of Washington Township, the Village of Romeo, and Bruce Township. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$100,497 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden for the Township. Complete financial statements for the Tri-County Cable Communications Commission can be obtained at 6 Walter Sheetz Drive, Romeo, MI 48065.

### **Note 14 - Commitments and Contingencies**

In 1999, the Township entered into an intergovernmental cost-sharing agreement with two neighboring communities and the Macomb County Public Works Commissioner to fund the construction of an interceptor and wastewater disposal service. Total estimated costs are approximately \$28,000,000. Sixty percent of the cost will be shared directly by the three communities, of which the Township's portion is approximately \$3,400,000. The remaining 40 percent will be funded by the Macomb County Water Disposal District. Costs capitalized to date are approximately \$1,073,000.

# Township of Washington

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## Notes to Financial Statements March 31, 2005

### Note 15 - Accounting and Reporting Change

Water and Sewer Fund capital assets as of March 31, 2004 have been restated to remove storm sewers previously recorded as an asset. As a result, net assets in the Water and Sewer Fund have been adjusted as follows:

Business-type net assets - March 31, 2004 - As previously reported	\$ 41,664,407
Effect of removing storm sewers previously capitalized	<u>(5,492,418)</u>
Business-type net assets - March 31, 2005 - As restated	<u>\$ 36,171,989</u>

## **Required Supplemental Information**

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# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>					
Property taxes:					
Current taxes	\$ 582,886	\$ 623,200	\$ 621,740	\$ 626,518	\$ 4,778
Delinquent personal property taxes	1,955	2,000	1,375	1,429	54
Mobile home park taxes	4,699	4,800	4,202	4,575	373
Total property taxes	589,540	630,000	627,317	632,522	5,205
Licenses and permits:					
Building permits	318,296	435,579	735,444	752,791	17,347
Electrical permits	84,902	96,300	93,284	91,707	(1,577)
Mechanical permits	130,324	143,936	137,387	138,470	1,083
Plumbing permits	75,656	95,300	104,873	105,020	147
Total licenses and permits	609,178	771,115	1,070,988	1,087,988	17,000
Federal sources	-	-	945	945	-
State-shared revenue	1,375,967	1,028,663	983,603	1,187,259	203,656
Fees:					
Bookkeeping	136,973	138,117	138,117	138,117	-
Variance	14,600	7,500	12,020	12,600	580
Cable television	129,872	145,004	145,003	145,003	-
Cemetery	27,090	28,000	13,408	16,101	2,693
Bonds forfeited	903	-	-	-	-
Court fines	2,650	3,000	4,758	5,151	393
Total fees	312,088	321,621	313,306	316,972	3,666
Interest and rent	199,731	180,177	263,152	258,836	(4,316)
Special assessments	270,452	76,000	114,648	134,932	20,284
Other revenue:					
Refunds and rebates	1,993	500	4,003	4,965	962
Other revenue	70,890	4,000	55,127	62,377	7,250
Total other revenue	72,883	4,500	59,130	67,342	8,212
Other financing sources - Transfer in	42,268	112,500	123,846	-	(123,846)
Total revenue	3,472,107	3,124,576	3,556,935	3,686,796	129,861



# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2005

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures</b>					
General government:					
Township board	\$ 39,184	\$ 48,321	\$ 46,779	\$ 40,559	\$ 6,220
Supervisor	78,493	100,877	101,384	98,642	2,742
Elections	167,495	210,101	202,775	178,533	24,242
Assessor	221,916	252,548	245,999	235,827	10,172
Clerk	61,337	66,021	65,901	63,248	2,653
Accounting	190,785	209,268	203,780	199,394	4,386
Cemetery	41,680	50,450	35,329	30,052	5,277
Administrative	189,223	226,697	213,207	191,015	22,192
Treasurer	187,259	202,249	204,799	196,990	7,809
Board of Review	9,620	9,250	9,375	8,269	1,106
Township Hall	518,959	239,740	236,497	209,905	26,592
Total general government	1,705,951	1,615,522	1,565,825	1,452,434	113,391
Public safety:					
Electrical inspection department	45,198	70,975	55,750	44,602	11,148
Plumbing and heating department	31,855	36,000	46,850	36,387	10,463
Mechanical inspection department	57,233	43,000	76,840	65,843	10,997
Building department	284,955	311,443	394,796	324,943	69,853
Planning	86,769	98,204	97,827	90,148	7,679
Total public safety	506,010	559,622	672,063	561,923	110,140
Public works:					
Highways and streets	36,225	176,105	285,915	223,846	62,069
Street lighting	19,094	21,200	22,300	21,708	592
Total public works	55,319	197,305	308,215	245,554	62,661
Fringe benefits and insurance	569,434	661,506	625,519	615,341	10,178
Other financing uses:					
Transfer to Employee Benefits Fund	140,000	90,621	385,313	385,313	-
Transfer to Improvement Revolving Fund	302,563	-	-	-	-
Transfer to Woodfield Paving Fund	-	-	-	-	-
Transfer to Cable Franchise Reserve Fee Fund	34,160	-	-	-	-
Total other financing uses	476,723	90,621	385,313	385,313	-
Total expenditures	3,313,437	3,124,576	3,556,935	3,260,565	296,370
<b>Net Change in Fund Balance</b>	158,670	-	-	426,231	426,231
<b>Fund Balance - Beginning of year</b>	2,019,890	2,178,561	2,178,561	2,178,561	-
<b>Fund Balance - End of year</b>	<u>\$ 2,178,560</u>	<u>\$ 2,178,561</u>	<u>\$ 2,178,561</u>	<u>\$ 2,604,792</u>	<u>\$ 426,231</u>

# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2005

	Fire			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,776,602	\$ 1,923,031	\$ 1,927,032	\$ 4,001
Interest	48,167	54,758	56,136	1,378
Refunds and rebates	-	-	2,612	2,612
Other	-	14,282	15,037	755
Total revenue	1,824,769	1,992,071	2,000,817	8,746
<b>Expenditures</b>				
Public safety	1,684,019	1,694,129	1,549,370	144,759
Capital outlay	70,750	43,866	15,275	28,591
Transfers and contingencies	70,000	254,076	70,000	184,076
Total expenditures	1,824,769	1,992,071	1,634,645	357,426
<b>Net Change in Fund Balance</b>	-	-	366,172	366,172
<b>Fund Balance - Beginning of year</b>	2,764,522	2,764,522	2,764,522	-
<b>Fund Balance - End of year</b>	<u>\$ 2,764,522</u>	<u>\$ 2,764,522</u>	<u>\$ 3,130,694</u>	<u>\$ 366,172</u>

# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2005

	Police			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
<b>Revenue</b>				
Property taxes	\$ 800,400	\$ 800,400	\$ 836,414	\$ 36,014
District Court fines	50,000	50,000	66,020	16,020
Interest	2,900	2,900	5,402	2,502
Total revenue	853,300	853,300	907,836	54,536
<b>Expenditures - Public safety</b>	853,300	853,300	742,729	110,571
<b>Net Change in Fund Balance</b>	-	-	165,107	165,107
<b>Fund Balance - Beginning of year</b>	763,975	763,975	763,975	-
<b>Fund Balance - End of year</b>	<u>\$ 763,975</u>	<u>\$ 763,975</u>	<u>\$ 929,082</u>	<u>\$ 165,107</u>

# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2005

	Advanced Life Support			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,428,693	\$ 1,525,449	\$ 1,529,449	\$ 4,000
Charges for services	48,202	53,616	63,917	10,301
Interest	22,000	24,807	24,959	152
Refunds and rebates	-	-	2,474	2,474
Other	-	6	856	850
Total revenue	1,498,895	1,603,878	1,621,655	17,777
<b>Expenditures</b>				
Public safety	1,402,895	1,368,396	1,261,183	107,213
Capital outlay	26,000	172,067	141,125	30,942
Transfers and contingencies	70,000	70,000	70,000	-
Total expenditures	1,498,895	1,610,463	1,472,308	138,155
<b>Net Change in Fund Balance</b>	-	(6,585)	149,347	155,932
<b>Fund Balance - Beginning of year</b>	1,702,819	1,702,819	1,702,819	-
<b>Fund Balance - End of year</b>	<u>\$ 1,702,819</u>	<u>\$ 1,696,234</u>	<u>\$ 1,852,166</u>	<u>\$ 155,932</u>

# Township of Washington

## Notes to Required Supplemental Information March 31, 2005

### Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Fire Fund		Major Special Revenue Funds		Advanced Life Support Fund		Police Fund	
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
	Revenue	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	Expenditures
Amounts per operating statement	\$ 3,686,796	\$ 2,875,252	\$ 2,000,817	\$ 1,564,645	\$ 1,621,655	\$ 1,402,308	\$ 907,836	\$ 742,729		
Operating transfers budgeted as revenue and expenditures	-	385,313	-	70,000	-	70,000	-	-		
Amounts per budget statement	<u>\$ 3,686,796</u>	<u>\$ 3,260,565</u>	<u>\$ 2,000,817</u>	<u>\$ 1,634,645</u>	<u>\$ 1,621,655</u>	<u>\$ 1,472,308</u>	<u>\$ 907,836</u>	<u>\$ 742,729</u>		

### Note 2 - Budgetary Information

**Budgetary Information** - The annual budget is prepared by management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2005 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." The budget statement (budgetary comparison schedule - General Fund and Major Special Revenue Funds) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds and nonmajor Debt Service Funds budgets as adopted by the Township board is available at the clerk's office for inspection.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Township did not have significant expenditure budget variances.

## **Other Supplemental Information**

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# Township of Washington

	Special Revenue Funds				
	Liquor Enforcement	Improvement Revolving	Budget Stabilization	Sidewalk Fund	Cable Franchise Fee Reserve Fund
<b>Assets</b>					
Cash and cash equivalents	\$ 33,092	\$ -	\$ -	\$ 120,240	\$ -
Special assessments	-	-	-	-	-
Due from other funds	-	1,916,528	252,000	-	108,320
Due from other governmental units	-	-	-	-	-
Prepaid expenses	4	-	-	-	-
Total assets	<u>\$ 33,096</u>	<u>\$ 1,916,528</u>	<u>\$ 252,000</u>	<u>\$ 120,240</u>	<u>\$ 108,320</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,430	\$ -
Due to other funds	67	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	67	-	-	18,430	-
<b>Fund Balances</b>					
Reserved:					
Prepays	4	-	-	-	-
Law enforcement	33,025	-	-	-	-
Unreserved:					
Designated	-	1,916,528	-	-	-
Undesignated	-	-	252,000	101,810	108,320
Total fund balances	<u>33,029</u>	<u>1,916,528</u>	<u>252,000</u>	<u>101,810</u>	<u>108,320</u>
Total liabilities and fund balances	<u>\$ 33,096</u>	<u>\$ 1,916,528</u>	<u>\$ 252,000</u>	<u>\$ 120,240</u>	<u>\$ 108,320</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2005**

Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
Street Light Assessment Fund	Employee Benefits	Debt Service	D/T Buff. Knoll/ Romeo Hill	Carriage Hills	Woodfield Paving	
\$ 13,198	\$ -	\$ 256,922	\$ -	\$ 15,697	\$ -	\$ 439,149
-	-	187,569	-	-	-	187,569
-	1,499,507	-	17,851	-	49,110	3,843,316
3,236	-	1,863	-	-	-	5,099
-	-	-	-	-	-	4
<b>\$ 16,434</b>	<b>\$ 1,499,507</b>	<b>\$ 446,354</b>	<b>\$ 17,851</b>	<b>\$ 15,697</b>	<b>\$ 49,110</b>	<b>\$ 4,475,137</b>
\$ 2,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,684
-	-	6,669	-	-	-	6,736
-	-	187,569	-	-	-	187,569
2,254	-	194,238	-	-	-	214,989
-	-	-	-	-	-	4
-	-	-	-	-	-	33,025
-	1,499,507	-	-	-	-	3,416,035
14,180	-	252,116	17,851	15,697	49,110	811,084
14,180	1,499,507	252,116	17,851	15,697	49,110	4,260,148
<b>\$ 16,434</b>	<b>\$ 1,499,507</b>	<b>\$ 446,354</b>	<b>\$ 17,851</b>	<b>\$ 15,697</b>	<b>\$ 49,110</b>	<b>\$ 4,475,137</b>



# Township of Washington

	Special Revenue Funds				
	Liquor Enforcement	Improvement Revolving	Budget Stabilization	Sidewalk Fund	Cable Franchise Fee Reserve Fund
<b>Revenue</b>					
State-shared revenue	\$ 9,579	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	36,859	-
Interest	-	-	-	1,287	-
Special assessments	-	-	-	-	-
Total revenue	9,579	-	-	38,146	-
<b>Expenditures</b>					
General government	-	-	-	-	-
Public works	-	-	-	-	3,656
Public safety	7,902	-	-	18,430	-
Capital outlay	-	91,957	-	-	-
Debt service	-	-	-	-	-
Total expenditures	7,902	91,957	-	18,430	3,656
<b>Excess of Revenue Over (Under) Expenditures</b>	1,677	(91,957)	-	19,716	(3,656)
<b>Other Financing Sources -</b>					
Transfers in	-	198,406	-	-	44,506
<b>Net Change in Fund Balances</b>	1,677	106,449	-	19,716	40,850
<b>Fund Balances - Beginning of year</b>	31,352	1,810,079	252,000	82,094	67,470
<b>Fund Balances - End of year</b>	<u>\$ 33,029</u>	<u>\$ 1,916,528</u>	<u>\$ 252,000</u>	<u>\$ 101,810</u>	<u>\$ 108,320</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended March 31, 2005**

Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
Street Light Assessment Fund	Employee Benefits	Debt Service	D/T Buff. Knoll/ Romeo Hill	Carriage Hills	Woodfield Paving	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,579
-	-	-	-	-	-	36,859
8	-	21,818	-	188	-	23,301
119,398	-	86,904	-	-	-	206,302
119,406	-	108,722	-	188	-	276,041
-	1,474	-	-	-	-	1,474
-	-	-	-	-	-	3,656
-	-	-	-	-	-	26,332
118,245	-	-	-	-	659	210,861
-	-	153,513	-	-	-	153,513
118,245	1,474	153,513	-	-	659	395,836
1,161	(1,474)	(44,791)	-	188	(659)	(119,795)
-	280,070	2,331	-	-	-	525,313
1,161	278,596	(42,460)	-	188	(659)	405,518
13,019	1,220,911	294,576	17,851	15,509	49,769	3,854,630
<b>\$ 14,180</b>	<b>\$ 1,499,507</b>	<b>\$ 252,116</b>	<b>\$ 17,851</b>	<b>\$ 15,697</b>	<b>\$ 49,110</b>	<b>\$ 4,260,148</b>

# Township of Washington

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2005

	Agency Funds		
	Tax Collections	Trust and Agency	Totals
<b>Assets - Cash and investments</b>	<b><u>\$ 1,426</u></b>	<b><u>\$ 965,612</u></b>	<b><u>\$ 967,038</u></b>
<b>Liabilities</b>			
Due to other governmental units	\$ 1,426	\$ -	\$ 1,426
Cash bonds and deposits	<u>-</u>	<u>965,612</u>	<u>965,612</u>
Total liabilities	<b><u>\$ 1,426</u></b>	<b><u>\$ 965,612</u></b>	<b><u>\$ 967,038</u></b>

June 17, 2005

To the Board of Trustees  
Township of Washington  
57900 Van Dyke  
P.O. Box 94067  
Washington, MI 48094-4067

Dear Board Members:

We have recently completed our audit of the financial statements of the Township of Washington for the year ended March 31, 2005. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations.

### UPCOMING REPORTING CHANGES

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended March 31, 2010.

### GARFIELD INTERCEPTOR

In 1999, the Township entered into an intergovernmental, cost-sharing agreement with two neighboring communities and the Macomb County Public Works Commission to fund the construction of the Garfield Interceptor. According to the 1999 agreement, the preliminary projected cost of this interceptor was approximately \$28,000,000, of which Washington Township's direct portion would be approximately \$3,400,000. The Township currently pays \$19,000 a month to the Macomb County Public Works Commission. From the inception of this agreement, through March 31, 2005, the Township has paid a total of \$1,072,790 specifically designated for the Garfield Interceptor. This amount has been capitalized on the Township's financial statements. As of today, the Township has not received final notification of the total actual cost of the project, the Township's actual liability, how the project was funded and terms of any related debt (i.e., interest rate, years to maturity, etc.). In addition, the interceptor has been placed in operation over the past year. We strongly encourage the Township to continue to pursue obtaining the finalized data.

To the Board of Trustees  
Township of Washington

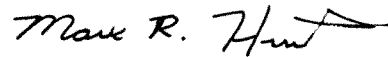
-2-

June 17, 2005

We wish to thank the Township for the continued opportunity to serve as your auditors and for all the assistance and cooperation that we received from Ms. Sera Smith, the accounting office, and the rest of the Township personnel throughout the audit. If you have any questions concerning these items or wish to discuss implementation of our recommendations, please do not hesitate to call.

Very truly yours,

**Plante & Moran, PLLC**



Mark R. Hurst



Pamela L. Jadach